

Casino Group 2022 Group Results

Introduction

Moderator

Welcome to the Casino Group 2022 Annual Results Conference Call. I now hand over to Mr Jean-Charles Naouri, Chairman and Chief Executive Officer, and Mr David Lubek, Chief Financial Officer of Casino Group. Sirs, please go ahead.

Jean-Charles NAOURI

Chairman and Chief Executive Officer

Thank you. I would like to welcome you to this presentation of the Casino group's annual results.

We will begin, as usual, with the highlights.

First, the highlights in France. In France, we saw an improvement in the business mix with a very strong recovery of the Parisian brands, which are the most buoyant brands at the moment, from the summer on, i.e., from the end of Covid, with Proximité Casino at +6.6%, Franprix at +3.4% and Monop at +11.2%.

The second important point is the success of the expansion plan with 879 shop openings in both urban (Franprix) and rural proximity formats (SPAR, Vival, etc.), and supermarkets joining the franchise network

Lastly, the development of a Leader Price discount offer adapted to the inflationary context in hypermarkets and supermarkets (sales of Leader Price products increased by 95% in Q4) and under franchise. Finally, in food retailing, we see a stabilised profitability in H2, we will come back to this, with an increase in the most profitable formats.

Cdiscount saw an increase in its growth and profitability drivers. The marketplace saw its share increase by six points to reach 52% on average in 2022 and almost 60% currently. A growth in the advertising service plus 80% compared to 2019, 70 million in 2022, and an acceleration of Octopia +66% over one year.

On the financial front, the repayment and repurchase of nearly 1.1 billion in financial debt, with a net financial debt in France of 4.5 billion at end-2022 compared to 4.9 billion at end-2021. Lastly, the disposal plan in France reached 4.1 billion out of a target of 4.5 billion at the end of 23. That's it for France.

Let's move on to Latin America. You have the main figures in the document. You can see the trend in turnover +9,7% at constant exchange rate in 2022 compared to 2021, EBITDA is on average plus 2.8% at constant exchange rate excluding tax credits. And finally, trading profit is at -0,5% to 677 million euros.

If we take the brands one after the other, first of all Assaí, which is developing very quickly, turnover has increased by 30% and EBITDA by 27%. 60 shops were opened

during the year, including 47 conversions of Extra shops, bringing the total number of shops to 263 at end-2022.

Éxito, our Colombian subsidiary, experienced a strong growth dynamic and, as you know, we initiated the spin-off of Éxito.

Lastly, GPA saw its model transformed with the sale of hypermarkets and, conversely, the accelerated development of the premium (Pão de Açúcar) and convenience formats. In Q4, GPA's growth was 17% including expansion and 8% on a comparable basis.

Let's go back to France in more detail. On page 5 you have the details of the changes in turnover, business volume and openings. You can see that over the year, total France increased by 1.5% on a comparable basis, and the volume of business by 1.7%. When we look at the mix, the mix has been formed in favour of convenience or premium brands, the classic Casino convenience, Franprix and Monoprix, with a slight decrease in hypermarkets and supermarkets, with hypermarkets at -0.1% and supermarkets at -0.4%.

These trends, which we see in sales, are also reflected in the volume of business and openings to further increase the share of convenience stores and Parisian formats, including Monoprix, since we opened 652 convenience stores, 181 Franprix and 54 Monoprix - in fact also Monop and Naturalia.

Convenience had a very good year, with turnover up 6.6%, a turnover volume up 7.8% and a large number of shops.

Franprix is on track to double in five years, which is the strategic objective we have set, with a comparable growth rate of 3.4%, which accelerated at the end of the year, and 181 new shops.

Monoprix, which had experienced a difficult start with Covid, recovered very strongly from the summer onwards, thanks in particular to the return of tourists.

Finally, hyper and supermarkets saw a business volume of plus 1.3% with a trend inflection in Q4. In Q4, we saw an acceleration in Parisian formats and a deceleration in hypermarkets and supermarkets. In total, over the year, we can see that we are slightly positive.

What we can say, and I'm referring to page six, is that in 2022 we experienced an acceleration in our strategic priorities:

- First of all, accelerated growth in growth formats. On the one hand, we have sped up our growth in Parisian or convenience formats. We have also accelerated expansion, with a total of 879 shop openings, bringing the total number in France to over 9,000 points of sale. The openings are generally made on a franchise development model, which contributes to their low capital intensity, and expansion is taking place in all geographical areas, either in the Paris region with Franprix and Le marché d'à côté, or in rural areas with Vival, or in suburbs or small towns.

The strength of this network is the fact that there is logistical saturation, which contributes to the efficiency and profitability of each of the networks. In total, we now have nearly 2,000 Vival stores in rural areas, 1,100 Franprix or Marché d'à côté and 950 Spar stores.

- The second item of note is the conversion of Géant hypermarkets into Casino hyper frais or Casino supermarkets.

- Lastly, we have the continued development of the subscription. You know that this is a formula which exists at both Casino and Monoprix, which allows you to have a 10% reduction on all food purchases, in exchange for a payment which varies, but which is generally around 10€ per month.

It should be noted that subscribers to Géant or Casino spend on average four times more than non-subscribers.

Finally, on France, a word on E-commerce and digital solutions.

Concerning E-commerce, the year 2022 confirmed the validity of focusing development on home delivery. In this area, we grew by 17%: this is faster than the food e-commerce market, thanks to a focus on the home delivery format. These home deliveries are made in partnership with world leaders, in this case Amazon for express deliveries and Ocado, for what we call large-scale shopping, next-day grocery deliveries.

The second line of development is in-store digital solutions. More than 600 stores are equipped with automated solutions – automated checkouts, self-scanning, Sunday opening in automated mode, etc. And we can say that today, two thirds of payments in hypermarkets or supermarkets are made by smartphone or at an automatic checkout.

The third important aspect is retail media. We have continued the deployment in Casino and Monoprix shops of the solution known as CARS, the Cdiscount's AI-based solution, which make it possible to optimise advertising revenues in the context of real-time auctions, again targeting the preferences of each customer through AI-based mechanisms. Finally, we continued to develop B2B solutions with RelevanC.

On the commercial side, we have developed – and I'm on page 8 – commercial offers adapted to purchasing power issues, with a large number of commercial initiatives. The most important and best known was based on hyper and super fuel operations, the strengths being the price of petrol being reduced to a figure that generally varies around €0.85 in coupons. On fresh produce, we launched commercial actions based on guaranteed prices, the lowest prices guaranteed each day. We have developed sales in bulk packaging at reduced prices and finally, we have developed everyday products at low prices, particularly products at €1.

The second thrust is the development of Leader Price products in hypermarkets, supermarkets and Franprix. Sales of Leader Price products in hyper and supermarkets increased by 95% in Q4, almost doubling compared to Q4 2021, and the trend is continuing in Q1.

Similarly, the proportion of Leader Price products is increasing at Franprix, particularly in the suburban Franprix stores, and lastly, we have developed a core selection of 2,000 Leader Price products made available to the banners within the framework of the deployment of “shops-in-shops” in hypermarkets and supermarkets. There are now 199 Leader Price shops: 66 in France and 133 abroad. We opened 18 Leader Price franchise shops in Q1.

The year for Cdiscount was marked by the end of COVID: a sharp drop in revenues but a development of the profitability drivers, namely the marketplace and advertising. We see that the marketplace, as we have indicated, now exceeds 50% of the share in 2022, with a current trend of around 60%, a strong development of the marketplace, which is, as you know, our strategic priority. We plan to reach a figure of between 65% and 70% as soon as possible.

The second important point is the development of advertising, which grew by 5% in 2021, to reach 71 million euros, and almost double the figure vs 2019. The engine of this growth is an AI solution called CARS, which basically allows for each customer to see its possible preferences and to organise online auctions in real time with the relevant suppliers.

B2B, as you know, is one of our priorities within the framework of Octopia and has developed strongly in 2022, with an acceleration of Octopia which has now reached 19 million euros in revenues in 2022.

To conclude, on France, a word on CSR. Our CSR commitment is well known, with different themes:

- Firstly, climate with a CDP rating of A-, to be compared with B in 2021, while the objective of reducing carbon emissions by 38% by 2030 was achieved in 2022 ;

- The second theme is responsible consumption. The Nutriscore is applied to 100% of Casino and Franprix brand products, 80% of the 85 harmful controversial substances identified have been removed; reduction of plastic packaging; animal welfare;

Finally, we believe we are a committed employer with:

- A percentage of women in management of 41.1% at group level and 43.8% in France, the objective being 45% by 2025.

- In terms of diversity, Casino has historically been very committed and advanced, since we now have more than 9,000 disabled workers.

Finally, we have developed a series of solidarity actions, which are mentioned here, notably donations to the Gustave Roussy Institute for children with cancer.

I have now given an overview of our activities in France and I will hand over to David Lubek on financial results.

Financial results

David LUBEK

Chief Financial Officer

Thank you, Jean-Charles. I will now turn to page 12, with the presentation of the key figures for the second half of the year and the year as a whole.

Turnover for the year amounted to 33.6 billion, up 10% overall and 3.7% at constant exchange rates. In the second half of the year, turnover was up 10% to EUR 17.7 billion, driven by Latam (24%) which included a favourable exchange rate effect, while France Retail was up 0.9%. EBITDA and trading profit were almost stable at Group level in the second half of the year.

In France, in the second half of the year, Retail banners were stable in terms of trading profit at 335 million euros, we will come back to this in detail, it is a sequential improvement on the first half's decline, which was linked to a difficult start of the year in the Parisian banners, which have since regained a good momentum. Cdiscount's trading profit was impacted by the downturn in the non-food market after the COVID period, but nevertheless showed a sequential improvement between the first and second half of the year thanks to cost reductions and an improved mix. Finally, Latam saw a good progression of its trading profit in H2, 17% in total, 14% at constant exchange rates.

Overall, for the year the Group's EBITDA was stable at €2.508 billion and trading profit was €1.117 billion, down 6% due to the impact of first quarter sales in France.

Let's move on to the detailed performance of the France Retail segment page 13. This table shows the trading profit of the main banners in France. In the second half of the year, trading profit for Retail banners was stable at 335 million euros. Strong growth was seen in the buoyant formats - Monoprix, Franprix and convenience stores - with combined growth of more than 18%, in line with the upturn in business, with a peak of +42% for convenience stores linked to the strong expansion dynamic.

Hyper- and supermarkets were down due to the more difficult market context in Q4, during which promotional and communication expenditure was kept under control. Measures to readjust the commercial policy have been taken since December to better

adapt to this context, with price adjustments and a concomitant review of promotional measures.

Over the year, the decline in trading profit for Retail banners, at 421 million euros, is due mainly to the first quarter figures for Parisian banners, which were affected by the slump in tourism. This situation has improved significantly since then, as we have seen previously, with these banners enjoying a solid momentum since the second half of the year.

On page 14, the results of Cdiscount were detailed in the Cnova publication. This table shows the main figures. The annual performance reflects the effect of the downturn in the non-food e-commerce market at the end of the COVID period, which weighed heavily on the business. In this difficult context, Cdiscount quickly adapted its model, firstly on commercial priority with a focus on promising activities: the marketplace, where revenues were almost stable over the year despite the market downturn, and advertising services, which were up by 5% over the year, i.e. +80% over three years.

Secondly, on cost reductions, with efficiency plans initiated during the year that target at least €75 million in annual savings and have delivered €47 million over 2022, including €29 million on opex and €18 million on capex.

All of these factors resulted in a decrease in EBITDA and trading profit for the year and in the decrease in activity, but two-thirds of this was concentrated in the first half of the year, with the savings plans and the mix improvement gradually having an effect.

On page 15, let's move on to Latin America.

GPA and Assai have already published their results and details of their performance and activities are in their press releases. I will highlight the main elements: Assaí again showed very strong growth, +30% in sales at constant exchange rates and +23% in trading profit in line with the store expansion and conversion plan.

Grupo Exito delivered another year of growth, with +20%, with an increase in its trading profit of +8.4%, at 228 million euros.

Lastly, GPA's financial performance was impacted by the costs of transforming its model and by a stronger promotional dynamic at the end of the year.

In total, Latam's trading profit excluding tax credits was stable at constant exchange rates and up 11% at current exchange rates.

On page 16, let's move on to the underlying net profit, Group share. In H2, trading profit and share of profit of equity-accounted investees was close to stable, with a decrease in equity-accounted investees, mainly due to the disposal of Mercialys. For the full year, trading profit decreased due to the aforementioned commercial performance in the first quarter and the trading profit of Cdiscount.

Financial expenses decreased in France in connection with the bond buybacks carried out, while they increased in Latam, due to the Assaí expansion plan. Lastly, the result reflected a one-off tax charge of -240 million euros, arising on the review of deferred tax assets in France, and thus amounted to -102 million euros for the year. Restated for this one-off non-cash accounting charge, the underlying net profit, Group share would be 138 million euros, up from 89 million euros in 2021.

Page 17: After the results, let's move on to our usual focus on cash-flows in France. The table shows the free cash-flow for the total French perimeter, including Cdiscount and excluding GreenYellow.

In 2022, free cash-flow is mainly impacted by the drop in EBITDA already mentioned and by cyclical effects related to working capital, mainly overstocking at the end of the year. Cash-flow before WCR is down by around 100 million compared to 2021, due to the drop in EBITDA and the market context at Cdiscount, which improved sequentially over the

year, and to the first quarter performance of the Parisian banners, which has now recovered.

Exceptional expenses are of the same magnitude as in 2021 and include around 100 million in conversion costs, mainly stemming from the now completed transformation of all Géant hypermarkets converted to the hyper-fresh and supermarket format and 82 million euros in costs connected with the efficiency plans carried out in the Group's structures, which have contributed to reducing the cost base for 2023.

The capex are under control, with a decrease in net capex, despite the acceleration of the expansion, which is mainly carried out under franchise.

Lastly, the negative change in WCR is explained in particular by 220 million euros of cyclical effects at the end of the year, mainly related to overstocking. We aim to offset most of this cyclical effect, with a 190 million euro reduction in inventory in the first half of 2023, which constitutes a priority action plan to which we will return in greater detail.

Page 18, so on stocks, this graph shows the evolution of stock rotation since 2020, and we see that it has deteriorated significantly, going from 46 days to 63 days.

The overstocking observed at the end of 2022 can be explained mainly by two phenomena: an overestimation of activity at the end of 2022 during the September/October orders, mainly in hyper and supermarkets, whose sales turned around in Q4; and by strategic purchases made on products ahead of schedule in an inflationist context. To compensate for this overstocking, we are targeting a reduction in inventories of 190 million euros in the first half of the year, with daily monitoring of food coverage rates and a block on orders for the products concerned.

Our objective is to achieve 2/3 of the improvement by the end of the first quarter, and we are on track for this as at the beginning of March, with 72 million euros of stock reduction already achieved.

Page 19. An update on other operating income and expenses. Over the year, there was an improvement of 145 million euros in total exceptional expenses, of which 139 million euros of improvement in France and 2/3 of the exceptional expenses are recorded in Latam, with the finalisation of the transfer plans of Extra hypermarkets to Assai. In France the improvement is due to the net capital gains related to the disposal plan in France. It could be noted that the net capital gain of 230 million euros realised on the sale of Assai shares was recorded in equity and is therefore not part of the exceptional income.

Page 20 moves on to the evolution of debt in France. This page recalls the repayments and repurchases of financial debt made in 2022 for more than one billion euros, which testifies to our desire to deal with our debt maturities in an anticipated manner. They include:

- 673 million in bond redemptions and buybacks;
- an advance repayment at the end of 2022 of the Segisor bank debt maturing in July 2023;
- 60 million repayment of Cdiscount's PGE in August 2022;
- 180 million reduction in other financial liabilities.

In addition, at the beginning of 2023, other bond redemptions were carried out for a total of 66 million euros.

On page 21, this table summarises the evolution of the consolidated net debt by segment. In France, including Segisor Holding, the holder of our holdings in Latin America, we note a reduction of 340 million euros with a net debt of 4.5 billion euros at the end of 2022. In France Retail, after deducting the value at 31 December of the listed companies in Latin America, the leverage of debt / EBITDA net of lease payments is thus 3.7x.

In Latam, net financial debt increased due to Assaí, which recorded the impact of its investment and store conversion plan.

Page 22. The bond maturity schedule at 31 December 2022 includes 4.3 billion euros of bonds and Term Loan B, compared to 5.1 billion at the end of 2021, a reduction that follows the repayment and redemptions made.

Since the beginning of 2022 we have repaid without issuing new debt all the June '22 and January '23 maturities and bought back in advance nearly 150 million euros of Quatrim debt maturing in January '24, and nearly 50 million euros of EMTN maturing in March '24. These repayments and buybacks were made by mobilising funds held in dedicated segregated accounts as well as proceeds from the sale of assets, which enabled us to reduce financial costs.

We also made tactical buybacks in the market on the EMTN 2026 with a discount that allowed us to optimise our financial costs.

Page 23 : A few words on liquidity in France. The Group has liquidity of 2.5 billion at the end of December 2021 in France, including 2 billion in undrawn confirmed credit lines and 434 million euros in cash. Our main credit line matures in July 2026 for 1.8 billion euros. The covenants of our syndicated credit facility tested at the end of each quarter are respected in Q4 with a ratio of 3.1x for the secured debt to EBITDA ratio, below the 3.5x limit, and 3x for the EBITDA to interest expense ratio, above the 2.5x threshold.

To conclude this financial section, on page 24, a reminder of our 2023 operational and financial priorities. First, with regard to our operational plans, designed to improve our cash flow generation and profitability, we are aiming for a 190 million euro reduction in inventories in the first half of the year, offsetting the excess inventory observed at end-2022 and a new cost reduction plan has been launched with a target of 250 million euros in savings in the retail banners. And finally, we are aiming to accelerate the expansion plan in convenience formats after the success of the 2022 plan, with 1,000 new shops in 2023, representing at least 500 million euros in gross sales under banner on a full-year basis.

Finally, with regard to our debt reduction, we are aiming to finalise our disposal plan with 400 million euros, which will allow us to reach the 4.5 billion euro target by the end of 2023, and to continue monetising assets in Latin America, all of which will allow us to continue reducing our debt.

Thank you. We will now take questions.

Q&A

Operator

This is the conference operator. We will now begin the Question and Answer Session.

Clément GENELOT, Analyst, Bryan, Garnier & Co

Good morning to everyone and thank you. I have three questions. The first one is on prices: by how much do you want to revise the back-of-shelf prices following your repositioning on prices? Are you still comfortable with having a 30% price difference at the back-of-shelf between the supermarkets and Leclerc?

The second question is more about the variation in WCR: can you confirm that the variation in WCR was indeed bad in the fourth quarter, particularly impacted by a normalisation of the number of supplier payment days?

My third question concerns the merger with Teract: can you confirm that you are currently negotiating with the banks and creditors to reallocate part of Casino Group's debt to the new entity of Casino France and Teract, and we agree that your final equity stake will be much lower than the 85% figure announced in the press release?

Jean-Charles NAOURI

Thank you, I'm going to start perhaps with the question on prices, so yes, I would say that we have prices on the one hand, and generosity on the other, and we look at the net impact.

Basically, when you have for example prices, but you have a 10% reduction through the subscription, we consider that the price paid by the customer is the initial price minus the subscription. This is something that has to be done to be completely honest in terms of price evaluation. In 2022 we had a sharp rise in generosity indeed, and that we are reallocating today by lowering prices and lowering generosity.

I would say that the two elements to take into account are generosity and location: comparing a shop on the French Riviera to one in Brittany is not entirely relevant. You have to compare the price in relation to the geographical area. As you know, we are in rather rich geographical areas, which are Paris, Rhône-Alpes and PACA, and therefore we have prices which are compatible with the average price of these areas, especially when you take away the generosity.

So basically we consider that if we take into account the geographical location, if we take into account the generosity, our prices are quite relevant. Nevertheless, as I have just said, we have reallocated part of the generosity to lower prices. You can already see this in a series of stores where the prices are falling and where the generosity is relatively, gradually reduced.

That's it for prices. I'll hand over to David for the other two questions.

David LUBEK

So, on Teract, the 85/15 in the press release communicated yesterday represent the enterprise values of each of the two companies, so it is without debt - without debt on either side. So indeed then, depending on the level of debt of each of the entities, there will be a reajustment of the parities accordingly. The point here was simply, on the basis of the projections of the respective companies, to act on these initial parameters of financial balance. We will communicate in due course, depending on the stages and the progress of the financial discussions on this structure.

On the WCR, as I said, the notable effect at the end of the year is above all the overstocking because when we find ourselves with a sharp drop in activity, a significant drop in hyper-super, whereas this was not what was anticipated in September-October, this leads to an excess of stock at the end of the year, and this is what we correct in the first half of the year.

As for the rest, there can be a number of different variations, since every month there are a billion incoming flows, a little more than a billion incoming and outgoing flows, but the significant operational element is that of stocks.

Nicolas CHAMP, Barclays

Good morning, thank you. Two questions.

The first is: can you give us an update on your turnover trend in France since the start of the year, so how it compares with Q4 sales, which were a bit weak, especially in hypermarkets and supermarkets?

The second question is the amount of exceptional cash expenses in France remains quite high: how will they evolve in 2023? And in particular, you have announced a new cost-cutting programme: can we know a little more about the modalities and in particular the cash impact associated with this 250 million euro cost-cutting programme please? Thank you.

David LUBEK

So on the trends since the beginning of the year, we are more or less in line with what we saw in the fourth quarter, i.e. that the buoyant banners – Franprix, Monoprix and convenience stores - are still very strong, we can really see the resilience of these banners in the current inflationary environment, both because of their catchment area and the quality of their offer, these banners remain dynamic, both in terms of traffic and in terms of figures.

For hypermarkets and supermarkets, we are in a turnaround phase, so in a classic way, volumes must first take off again, and this involves the measures which have been mentioned of permanent price cuts, adjustment of promotions, etc. When volumes have taken off again sufficiently, we can have a recovery of the figure, so it is necessarily a two-stage process.

I would say that this is what we can say for now about the beginning of the year, and we have quite encouraging tests in a certain number of stores where we see this phase of increase in volume, followed by an increase in figures, which obviously takes a little time to materialise in the figures.

Exceptional expenses: we mentioned that about a hundred million of these expenses this year were linked to the transformation of the entire hypermarket network and a certain number of concept changes at Monoprix, so all that is behind us.

This year, there will still be a reduction in costs which can lead to a certain number of exceptional expenses, as we saw last year. You can see that in the details we gave, there are about 80 million euros in efficiency plans in 2022 and the 100 million euros which were linked to the complete transformation of the concepts will not be repeated this year.

Alexandre KOEFOED, Nordea

Yeah, hi, thanks for taking my questions I hope it is possible to answer in English. I was just wondering if you could comment a bit on the Teraact press release: you referred to 85% of new entity being controlled by Casino. Would this also apply after the 500 million euro equity injection that you also alluded to? That is my first question

The second question being, this new entity do you plan or have you investigated this entity becoming an unrestricted subsidiary with the aim to raise debt at this new entity level. That is my second question;

Then a third question here as well, if I may: there have now been non-recurring items for some quarters now. The Casino brands reported at 235 million euros in 2022, and you now give guidance for savings of 250 million euros, so are these 250 million euros on top of any savings that you expect from the 82 million costs that you have reported to existing savings plans? And when do you expect for this line item – i.e., non-recurring items – to come down meaningfully? And I guess by meaningful, I mean disappear, in order to stay in line with the nature of “non-recurring”. Those are my questions.

David LUBEK

This is related to the previous question that has been asked, so I will just state it again in English. The 85-15% mentioned in the press release related to the enterprise value of Casino CGP Distribution France and of Teraact, based on the relative valuation and analysis of the business plan. It does not include any debt or any equity. Of course, the ultimate participation, if the deal comes through, will have to include that. It's too early to discuss any detailed financial structure, of course. We are just at this stage of exclusivity between us and Teraact. That is why we communicated yesterday, so I don't think there is much more to add, just that it is an interesting industrial project and the financial environment, as we have said, are the ones that we have stated today based on the current state of discussions.

On the non-recurring items, as I mentioned previously, on the 235 millions of this year, 100 million euros was linked to the transformation, the whole transformation of the hypermarket network: the Géant brand was discontinued and transformed into a Hyperfrais and Casino supermarkets and there were some concept changes at Monoprix as well, so this 100 million euros will not happen again in 2023. The 80 million were linked to cost savings realised in 2022. There will be more cost-savings realised in 2023, so you can assume there will be some exceptional costs as well, but not the 100 million euros linked to the transformational concepts. Of course the goal is to reduce this line.

Operator

Gentlemen, there are no more questions registered at this time.

Jean-Charles NAOURI

Thank you very much, have a nice day.

